

Dunkin' Brands Group (DNKN)

\$76.93 (As of 08/28/20)

Price Target (6-12 Months): **\$81.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/24/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: D

Growth: C

Momentum: B

Summary

Shares of Dunkin' Brands have underperformed the industry in the past year. The dismal performance was primarily due to coronavirus induced woes. Recently, the company reported second-quarter fiscal 2020 results, with earnings and revenues surpassed the Zacks Consensus Estimate. However, both the top and the bottom line declined year over year. The decline was primarily attributed to the dismal performance of the Dunkin' U.S. segment. Moreover, the company has been facing margin pressure owing to higher costs of operations. Notably, earnings estimates for 2020 have increased in the past 30 days. Moreover, strong brand recognition, various sales-building initiatives like product launches, focus on beverage portfolio and aggressive expansion along with enhanced digital offerings are likely to drive the company going forward.

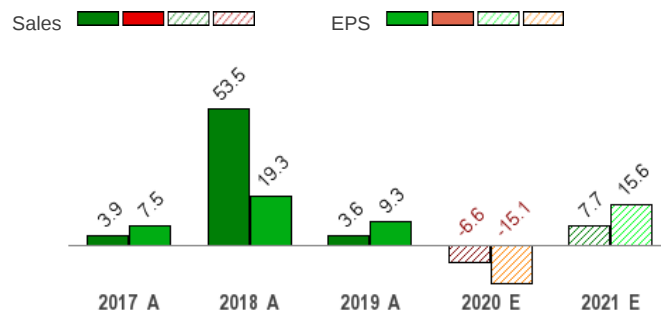
Price, Consensus & Surprise



Data Overview

52-Week High-Low	\$84.74 - \$38.51
20-Day Average Volume (Shares)	809,449
Market Cap	\$6.3 B
Year-To-Date Price Change	1.8%
Beta	0.90
Dividend / Dividend Yield	\$1.61 / 0.0%
Industry	Retail - Restaurants
Zacks Industry Rank	Top 46% (117 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	4.3%
Last Sales Surprise	6.1%
EPS F1 Estimate 4-Week Change	4.7%
Expected Report Date	NA
Earnings ESP	-0.4%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	316 E	366 E	357 E	341 E	1,379 E
2020	323 A	287 A	339 E	329 E	1,280 E
2019	319 A	359 A	356 A	336 A	1,370 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.68 E	\$0.80 E	\$0.85 E	\$0.78 E	\$3.11 E
2020	\$0.67 A	\$0.49 A	\$0.80 E	\$0.74 E	\$2.69 E
2019	\$0.67 A	\$0.86 A	\$0.90 A	\$0.73 A	\$3.17 A

*Quarterly figures may not add up to annual.

P/E TTM	27.6
P/E F1	28.6
PEG F1	2.7
P/S TTM	4.9

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/28/2020. The reports text is as of 08/31/2020.

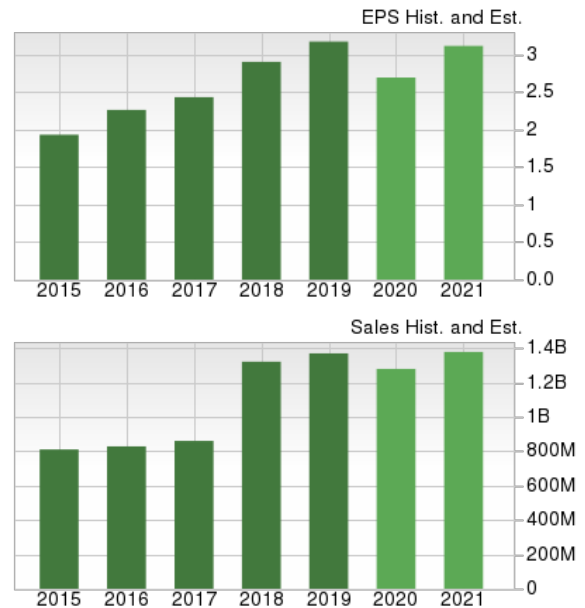
Overview

Headquartered in Canton, MA, Dunkin' Brands is a franchisor of quick-service restaurants under the Dunkin' Donuts and Baskin-Robbins brands.

Dunkin' Brands operates under five segments: Dunkin' U.S. (47% of total revenues in the first quarter of fiscal 2020), Baskin-Robbins U.S. (3.4%), Dunkin' International (1.7%), Baskin-Robbins International (8.4%), U.S. Advertising Funds (33.6%) and Other (5.9%).

The company generates revenues from five primary sources: (i) royalty income and franchise fees associated with franchised restaurants; (ii) continuing advertising fees from Dunkin' and Baskin-Robbins franchisees and breakage and other revenues related to the gift card program; (iii) rental income from restaurant properties that are leased to franchisees; (iv) sales of ice cream and other products to franchisees in certain international markets; and (v) other income including fees for the licensing the Dunkin' Donuts brands for products sold in certain retail outlets, the licensing of the rights to manufacture Baskin-Robbins ice cream products sold to U.S. franchisees, refranchising gains, and online training fees.

Dunkin' Brands has a multi-year partnership with Keurig Green Mountain and J.M. Smucker to manufacture, market, distribute and sell Dunkin' K-Cup pods at retailers across the U.S. and Canada, as well as online. Keurig has the right to distribute Dunkin' K-Cup packs with five varieties of signature Dunkin' Brands coffee to specialty stores and office supply retailers. J.M. Smucker, on the other hand, distributes and sells Dunkin' K-Cup packs to grocery chains, mass merchandisers, club stores, drug stores, dollar stores and home improvement stores.



Source: Zacks Investment Research

Reasons To Buy:

▲ **Robust Earnings Surprise History:** Dunkin' Brands reported better-than-expected earnings in the trailing 11 quarters. Moreover, the company has a trailing four-quarter positive earnings surprise of 6.9%, on average. Given its progress on the fundamentals, the company is likely to perform well in the quarters ahead.

▲ **Strong Brand Recognition & Expansion:** Dunkin' Brands ranks among the well-established global quick-service restaurant brands. As a result, it enjoys enormous customer trust and brand loyalty making it easier for the company to launch new product lines. The company's increased focus on menu innovation, especially on premium products to offer great beverages, is likely to drive growth. Markedly, the company started serving Beyond Breakfast Sausage from Nov 6, 2019, thereby becoming the first U.S. restaurant to offer the same nationwide. Notably, this premium food innovation along with premium-priced Cold Brew and espresso beverages brought in huge media buzz, supporting high consumer trial and repurchase rates. It also reached a new consumer base and drove incremental sales by offering on-trend choices to its customers. During first-quarter 2020, the company limited certain varieties of products, to improve speed and accuracy of its services. Toward that, the company developed a radically reduced menu called The Essentials Menu -- an alternative for a franchisee willing to serve its guests with access to a limited staff.

Dunkin' Brands' focus on beverage portfolio, strong digital initiatives and aggressive expansion strategies coupled with efforts to boost sales bode well

Banking on its already established namesake, the company has undertaken the implementation of a six-part plan to fuel Dunkin' Brands' strategic growth in the United States and better position itself as a beverage-led On-the-Go brand. That plan includes building its coffee culture; faster and improved product innovation; targeted values and smart pricing; being a leader in digital innovation; improving the restaurant-like experience; and driving consumer packaged goods and new channels. In fact, the company simplified its branding in the third quarter of 2018 and changed the logo of Dunkin Donuts to Dunkin' that marks its commitment to the beverage-led strategy. In fourth-quarter 2019, the company enhanced its digital ecosystem by allowing customers to use mobile on-the-go ordering, previously exclusive only to DD Perks members.

▲ **Efforts to Boost Sales:** Dunkin' Brands continues to boost sales through regular product launches. With the demand for coffee expected to keep growing, Dunkin' is continuously adding new coffee beverages to the menu, both in the value and premium offering segment, like the Macchiato's line of products and the recent — Cold Brew coffee. In the fourth quarter of 2018, the company introduced an entirely new handcrafted espresso beverage in more than 9,000 Dunkin' U.S. restaurants. Moving forward, espresso and other frozen beverages are expected to continue the momentum across the beverage portfolio. The company has already introduced ready-to-drink bottled iced coffee and Fruited Iced Teas, Dunkin' Energy Punch powered by Monster Energy and frozen coffee last year.

Meanwhile, in January 2019, the company added the Power Platform, which has been driving incremental sales. In April, Dunkin' Brands launched the Dunkin' Bowls, which comprises an egg white bowl containing 14 grams of protein and only 250 calories. Power breakfast sandwiches have also been driving the company's sales. The company highly focuses on building new restaurant designs. It designed a Next Generation restaurant involving technology that aims to provide a rich and faster restaurant experience, and deliver quality food and beverages.

▲ **Strong Digital Initiatives:** The digital wave has hit the U.S. fast-casual restaurant sector as an increasing number of restaurants are deploying technology to enhance guest experience and drive traffic. Dunkin' Brands is also not far behind in this race. The company is growing in terms of its use of digital technology through DD card, DD mobile app, DD Perks rewards program, On-the-Go ordering and delivery. During the third quarter 2019, the company added guest ordering for mobile on-the-go app. These initiatives make Dunkin' more convenient and accessible to customers. It also introduced multi-tender payment flexibility for the DD Perks program, which will provide more choice and convenience for Dunkin's on-the-go guests.

Additionally, the company expects to see a larger percentage of Dunkin' restaurants to open with drive-thrus. This increased emphasis on drive-thrus is huge part of the company's strategy to be an On-the-Go brand and offer frictionless experience to guests. Furthering its delivery program, Dunkin' has also expanded its delivery service to Miami, in partnership with DoorDash, covering over 70% of Baskin-Robbins stores across the United States. Meanwhile, the company also partnered with Grubhub to create a Dunkin' delivery system with POS integration. During the second quarter 2020, the company doubled its delivery footprint from 4,000 to 5,000 stores. In May 2020, the company also partnered with Uber Eats. During second-quarter 2020, delivery sales increased more than 250% online sales of cakes, quarts and novelties were up more than 150% versus the prior period. Delivery is now available in 93% of Baskin-Robbins U.S. shops.

Reasons To Sell:

▼ **Coronavirus Impact to Show on 2020 Results:** The coronavirus pandemic had an unfavorable impact on the company's business, financial condition and operational results in second-quarter fiscal 2020. Although the company's domestic footprint and high drive-thru mix positioned it well to weather the storm, sales were challenged by temporary closures of restaurants and drop in traffic. The impact on system-wide sales of COVID-19 had a corresponding unfavorable impact on royalty income, primarily for the Dunkin' U.S. segment. Internationally, the company expects to close 350 restaurants permanently on a gross basis during the second half of 2020. Majority of the closures are expected to be from low-volume sales locations.

Intense competition, a soft consumer spending environment, challenging international markets and a shift in ice cream consumption remain potent headwinds

Since the start of the fiscal third quarter to Jul 26, comparable store sales for Dunkin' U.S. and Baskin-Robbins U.S. locations were declining in low-single digits for open stores. Going forward, the company intends to shutdown 800 Dunkin' U.S. locations (or 8% of the Dunkin' U.S. restaurant footprint) in 2020 to sustain strong profitable future growth. Notably, this initiative will be implemented in conjunction with its franchisees as part of its real estate portfolio rationalization. Internationally, the company expects to close 350 restaurants permanently on a gross basis during the second half of 2020. Majority of the closures are expected to be from low-volume sales locations.

▼ **High Debt a Concern:** At the end of Jun 27, 2020, the company's long-term debt stood at \$3 billion, almost flat with the Mar 28 level. As a result, the company's debt-to-capitalization was 120.7%. Moreover, the company ended second-quarter fiscal 2020 with cash and cash equivalent of \$611 million, which may not be enough to manage the high debt level.

▼ **Competition with Larger Companies:** The company is facing competition from larger fast-casual companies which offer healthier menu options and are gaining popularity among consumers. Further, the company's coffee offerings face intense competition from one of the coffee giants — Starbucks — boasting a much larger scale of operations. Additionally, Dunkin' generates a chunk of revenues from the breakfast segment, which is gradually becoming more competitive. Companies like Jack in the Box and McDonald's are gaining traction with their breakfast platter, which is denting the company's top line.

▼ **Shift in Ice Cream Consumption:** The U.S. ice cream industry is shrinking gradually. In recent times, the trend of ice cream consumption at home has increased as several key brands are now available at grocery stores. Further, consumers are shifting more toward healthy frozen yogurt and fruit and vegetable-based flavors. Thus, declining sales at ice cream parlors would hurt Dunkin' Brand's revenues in the near term. Moreover, the company is experiencing lower than expected sale in ice cream products in its international segment too.

▼ **High Costs of Operations:** The restaurant industry is plagued with high costs of operations, owing to increased labor costs and other administrative expenses. Dunkin' Brands have also been facing margin pressure, owing to higher costs of operations.

Last Earnings Report

Dunkin' Brands' Q2 Earnings Beat Estimates, Fall Y/Y

Dunkin' Brands reported second-quarter fiscal 2020 results, with earnings and revenues surpassing the Zacks Consensus Estimate. However, both the metrics declined on a year over year basis.

Adjusted earnings of 49 cents per share surpassed the consensus mark of 47 cents by 4.3%. However, the metric declined 43% on a year over year basis.

During the fiscal second quarter, total revenues of \$287.4 million beat the consensus mark of \$271 million by 6.1%. However, the top line declined 20% on a year-over-year basis. The decline was primarily attributed to the dismal performance of the Dunkin' U.S. segment. Following the release of the quarterly results, shares of the company declined 4.2% on Jul 30.

Quarter Ending	06/2020
Report Date	Jul 30, 2020
Sales Surprise	6.05%
EPS Surprise	4.26%
Quarterly EPS	0.49
Annual EPS (TTM)	2.79

Segmental Performance

Dunkin' U.S. reported revenues of \$134.1 million in the fiscal second quarter, down 19.5% from the prior-year quarter's figure. The decline was primarily due to a decrease in royalty income, rental income and other revenues.

Comps in the segment declined 18.7% year over year in the quarter owing to decline in traffic due to the impact of COVID-19, partially offset by an increase in average ticket sales.

Dunkin' International division reported revenues of \$2.8 million in the fiscal second quarter, down 62.6% from the prior-year quarter's level. The decrease was primarily attributed to a decline in royalty income (owing to a decline in systemwide sales), and franchise fees (owing to deferred revenue recognition in the prior year period upon closure of an international market).

Comps in the segment declined 34.9% against 5.6% gain in the year-ago quarter. Notably, sales in Latin America, South Korea, and Europe were negatively impacted by unfavorable foreign exchange rates.

Baskin-Robbins U.S. revenues declined 13.2% year over year, to \$12.4 million in the fiscal second quarter. The decline was primarily attributed to decreases in systemwide sales, licensing income, rental income and a decrease in the number of leases, and sales of ice cream and other products. Comps in the segment declined 6% compared with 1.4% fall reported in the prior year quarter.

Baskin-Robbins International division revenues amounted to \$26.6 million in the fiscal second quarter, down 18.7% year over year. The decline was primarily attributed to decrease in sales of ice cream and other products as well as a decrease in royalty income and franchise fees. Comps in the segment declined 5.3% against 3.2% growth in the year-ago quarter. Notably, the comps were negatively impacted by unfavorable foreign exchange rates.

Operating Performance

Adjusted operating income declined 31.9% from the year-ago quarter's level to \$86.7 million. owing to a decline in royalty income and rental margin. However, this was partially offset by a reduction in incentive compensation and non-essential spending on account of the global pandemic. Adjusted operating income margin contracted 520 basis points (bps) to 30.2%.

Balance Sheet

Dunkin' Brands ended fiscal second-quarter 2020 with cash and cash equivalents of \$515.9 million compared with \$621.2 million at the end of 2019. Restricted cash totaled \$95.1 million, up from \$85.6 million as of Dec 28, 2019. Net long-term debt was reported at \$2,998.9 million, compared with \$3,004.2 million as on Dec 28, 2019. On Jul 30, the company reinstated its dividend program and declared a cash dividend of \$0.4025 per share. The dividends will be payable on Sep 9, to shareholders on record as of Sep 1, 2020.

As of Jun 27, 2020, it had 82,257,776 shares outstanding. In order to preserve cash amidst the ongoing crisis, the company refrained from share repurchase activity during the fiscal second quarter 2020.

Other Updates

As of Jul 25, 2020, 96% of Dunkin' U.S. locations, 98% of Baskin-Robbins U.S. locations and approximately 90% of each of Dunkin' and Baskin-Robbins International locations remained open.

Since the start of the fiscal third quarter to Jul 26, comparable store sales for Dunkin' U.S. and Baskin-Robbins U.S. locations were declining in low-single digits for open stores. Going forward, the company intends to shutdown 800 Dunkin' U.S. locations (or 8% of the Dunkin' U.S. restaurant footprint) in 2020, in order to sustain strong profitable future growth. Notably, this initiative will be implemented in conjunction with its franchisees as part of its real estate portfolio rationalization. Internationally, the company expects to close 350 restaurants permanently on a gross basis during the second half of 2020. Majority of the closures are expected to be from low-volume sales locations.

Recent News

Dunkin' Brands Expands Delivery Partnership With Uber Eats – Jun 15, 2020

Dunkin' Brands recently announced an expansion of the brand's partnership with Uber Eats in a bid to expand delivery services. Per the deal, the companies have expanded their partnership to 1,000 additional restaurants across the United States.

Dunkin' Brands to Hire 25K Employees as U.S. Stores Reopen – Jun 8, 2020

With U.S. stores reopening after the coronavirus-induced shutdowns, Dunkin' Brands is ramping up preparations to make it a success. Notably, the company announced plans of hiring up to 25,000 new employees to meet the spike in demand upon reopening.

Dunkin Brands Boosts Delivery Services With Uber Eats Partnership – May 4, 2020

In a bid to expand its delivery footprint, Dunkin Brands announces partnership with Uber Eats. With this new partnership, Dunkin' is now available for delivery through Uber Eats website or mobile app, at over 1,700 restaurants, with over 4,000 total locations nationwide. The service is likely to begin by the end of May.

Valuation

Dunkin' Brands shares have declined 5.1% in the year-to-date and 10.6% in the trailing 12-month period. Stocks in the Zacks sub-industry are up by 4.9%, and the Zacks Retail-Wholesale sector is up by 36.3%, in the year-to-date period. Over the past year, the Zacks sub-industry is down 3.3%, but the sector is up 44.5%.

The S&P 500 index is up by 8.9% in the year-to-date period and 20.2% in the past year.

The stock is currently trading at 25.89X forward 12-months earnings, which compares to 32.77X for the Zacks sub-industry, 34.06X for the Zacks sector and 23.49X for the S&P 500 index.

Over the past five years, the stock has traded as high as 27.23X and as low as 12.12X, with a 5-year median of 22.61X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$81 price target reflects 27.27X forward 12-month earnings.

The table below shows summary valuation data for DNKN.

Valuation Multiples - DNKN					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	25.89	32.77	34.06	23.49
	5-Year High	27.23	34.04	34.84	23.49
	5-Year Low	12.12	20.49	19.09	15.25
	5-Year Median	22.61	23.09	23.51	17.58
P/S F12M	Current	3.94	3.94	1.32	3.84
	5-Year High	7.09	3.94	1.32	3.84
	5-Year Low	2.3	2.81	0.82	2.53
	5-Year Median	4.65	3.32	0.98	3.05
EV/EBITDA TTM	Current	18.52	21	20.2	13.29
	5-Year High	22.67	21	20.2	13.29
	5-Year Low	11.57	10.68	11.15	8.22
	5-Year Median	15.83	14.35	12.96	10.91

As of 08/28/2020

Industry Analysis Zacks Industry Rank: Top 46% (117 out of 252)



Source: Zacks Investment Research

Top Peers

Company (Ticker)	Rec	Rank
Jack In The Box Inc. (JACK)	Outperform	1
Papa Johns International, Inc. (PZZA)	Outperform	1
BJs Restaurants, Inc. (BJRI)	Neutral	3
DaveBusters Entertainment, Inc. (PLAY)	Neutral	4
Red Robin Gourmet Burgers, Inc. (RRGB)	Neutral	3
Starbucks Corporation (SBUX)	Neutral	3
Carrols Restaurant Group, Inc. (TAST)	Neutral	2
The Wendys Company (WEN)	Neutral	3

The positions listed should not be deemed a recommendation to buy, hold or sell.

Industry Comparison Industry: Retail - Restaurants				Industry Peers		
	DNKN	X Industry	S&P 500	PLAY	RRGB	TAST
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	3	2
VGM Score	C	-	-	D	C	A
Market Cap	6.33 B	445.98 M	23.71 B	832.31 M	174.21 M	378.03 M
# of Analysts	11	6	14	6	4	3
Dividend Yield	0.00%	0.00%	1.63%	0.00%	0.00%	0.00%
Value Score	D	-	-	D	B	A
Cash/Price	0.10	0.13	0.07	0.24	0.19	0.13
EV/EBITDA	18.35	13.15	13.37	9.52	10.05	27.19
PEG F1	2.63	3.81	3.08	NA	NA	NA
P/B	NA	2.72	3.22	3.35	1.10	1.30
P/CF	20.40	10.07	12.90	2.28	1.45	6.12
P/E F1	28.41	36.81	21.82	NA	NA	93.52
P/S TTM	4.86	0.84	2.52	0.72	0.16	0.25
Earnings Yield	3.50%	0.83%	4.41%	-19.50%	-100.62%	1.12%
Debt/Equity	-5.73	0.96	0.74	10.36	4.13	4.49
Cash Flow (\$/share)	3.77	1.81	6.94	7.69	7.72	1.17
Growth Score	C	-	-	D	C	A
Historical EPS Growth (3-5 Years)	11.83%	3.03%	10.41%	7.70%	-24.46%	-26.49%
Projected EPS Growth (F1/F0)	-15.11%	-66.06%	-4.94%	-216.27%	-1,919.03%	121.30%
Current Cash Flow Growth	5.44%	3.07%	5.22%	-0.07%	-15.30%	-14.11%
Historical Cash Flow Growth (3-5 Years)	5.81%	5.23%	8.50%	16.47%	-0.74%	18.25%
Current Ratio	1.60	1.06	1.35	0.73	0.52	0.55
Debt/Capital	NA%	70.54%	43.86%	91.19%	80.51%	81.79%
Net Margin	16.79%	-0.23%	10.25%	1.24%	-22.56%	-2.05%
Return on Equity	-38.22%	-10.35%	14.66%	8.89%	-52.03%	-6.61%
Sales/Assets	0.34	0.87	0.50	0.49	0.92	0.86
Projected Sales Growth (F1/F0)	-6.61%	-6.05%	-1.43%	-48.60%	-32.02%	6.69%
Momentum Score	B	-	-	A	F	A
Daily Price Change	2.10%	1.56%	0.71%	16.39%	16.17%	6.22%
1-Week Price Change	1.56%	0.00%	-1.45%	-11.29%	-10.40%	-5.80%
4-Week Price Change	12.06%	12.70%	4.59%	33.08%	23.87%	13.63%
12-Week Price Change	12.40%	9.42%	4.86%	-9.96%	-34.17%	49.84%
52-Week Price Change	-8.06%	-19.91%	3.09%	-58.39%	-67.54%	-2.45%
20-Day Average Volume (Shares)	809,449	296,894	1,887,168	4,978,440	1,035,934	524,056
EPS F1 Estimate 1-Week Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
EPS F1 Estimate 4-Week Change	4.67%	2.50%	0.79%	0.00%	-3.68%	124.21%
EPS F1 Estimate 12-Week Change	6.36%	21.14%	3.43%	26.67%	-85.56%	111.33%
EPS Q1 Estimate Monthly Change	11.42%	7.06%	0.00%	0.00%	12.60%	100.00%

Source: Zacks Investment Research

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	C
Momentum Score	B
VGM Score	C

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

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ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

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Returns quoted represent past performance which is no guarantee of future results. Investment returns and principal value will fluctuate so that when shares are redeemed, they may be worth more or less than their original cost. Current performance may be higher or lower than the performance shown.

Investing involves risk; principal loss is possible. There is no guarantee that companies that can issue dividends will declare, continue to pay or increase dividends.

Glossary of Terms and Definitions

52-Week High-Low: The range of the highest and lowest prices at which a stock has traded during the past year. This range is determined based on the stock's daily closing price which may differ from the intra-day high or low. Many investors use it as a technical indicator to determine a stock's current value and future price movement. The idea here is that if price breaks out from the 52-week range, in either direction, the momentum may continue in the same direction.

20-Day Average Volume (Shares): The average number of shares of a company traded in a day over the last 20 days. It is a direct indication of a security's overall liquidity. The higher the average daily trading volume, the easier it is to enter or exit the stock at a desired price with more buyers and sellers being available.

Daily Price Change: This is the percentage difference between a trading day's closing price and the prior trading day's closing price. This item is updated at 9 p.m. EST each day.

1-Week Price Change: This is the percentage change in a stock's closing price over the last 5 trading days. This change reflects the collective buying and selling sentiment over the 1-week period.

A strong weekly price increase for the stock, especially when accompanied by increased volume, is an indication of it gaining momentum.

4-Week Price Change: This is the percentage change in a stock's closing price over the last 20 trading days or past 4 weeks. This is a medium-term price change metric and an indication of the stock gaining momentum.

12-Week Price Change: This is the percentage change of a stock's closing price over the last 60 trading days or past 12 weeks. Similar to 4-week price change, this is a medium-term price change metric. It shows whether a stock has been enjoying strong investor demand, or if it has been in consolidation, or distress over this period.

52-Week Price Change: This is the percentage change in a stock's closing price over the last 260 trading days or past 52 weeks. This long-term price change metric is a good reference point for investors. Some investors seek stocks with the best percentage price change over the last 52 weeks, expecting the momentum to continue.

Market Cap: The number of outstanding common shares of a company times its latest price per share. This figure represents a company's size, which indicates various characteristics, including price stability and risk, in which investors could be interested.

Year-To-Date Price Change: Change in a stock's daily closing price in the period of time beginning the first day of the current calendar year through to the previous trading day.

of Analysts: Number of EPS estimates used in calculating the current-quarter consensus. These estimates come from the brokerage analysts tracking this stock. However, the number of such analysts tracking this stock may not match the number of estimates, as all brokerage analysts may not come up with an estimate or provide it to us.

Beta: A measure of risk commonly used to compare the volatility of a stock to the overall market. The S&P 500 Index is the base for calculating beta and carries a value of 1. A stock with beta below 1 is less risky than the market as a whole. And a stock with beta above 1 is riskier.

Dividend: The portion of earnings a company is expected to distribute to its common shareholders in the next 12 months for each share they own. Dividends are usually paid quarterly. Dividend payments reflect positively on a company and help maintain investors' trust. Investors typically find dividend-paying stocks appealing because the dividend adds to any market price appreciation to result in higher return on investment (ROI). Moreover, a steady or increasing dividend payment provides investors a cushion in a down market.

Dividend Yield: The ratio of a company's annual dividend to its share price. The annual dividend used in the ratio is calculated based on the most recent dividend paid by the company. Dividend yield is an estimate of the dividend-only return from a stock in the next 12 months. Since dividend itself doesn't change frequently, dividend yield usually changes with a stock's price movement. As a result, often an unusually high dividend yield is a result of weak stock price.

S&P 500 Index: The Standard & Poor's 500 (S&P 500) Index is an unmanaged group of securities considered to be representative of the stock market in general. It is a market-capitalization-weighted index of stocks of the 500 largest U.S. companies. Each stock's weight in the index is proportionate to its market value.

Industry: One of the 250+ groups that Zacks classifies all stocks into based on the nature of business. These groups are termed as expanded (aka "X") industries and map to their respective (economic) sectors; Zacks has 16 sectors.

Zacks Industry Rank: The Zacks Industry Rank is determined by calculating the average Zacks Rank for all stocks in the industry and then assigning an ordinal rank to it. For example, an industry with an average Zacks Rank of 1.6 is better than an industry with an average Zacks Rank of 2.3. So, the industry with the better average Zacks Rank would get a better Zacks Industry Rank. If an industry has the best average Zacks Rank, it would be considered the top industry (1 out of 250+), which would place it at the top 1% of Zacks-ranked industries. Studies have shown that roughly half of a stock's price movement can be attributed to the industry group it belongs to. In fact, the top 50% of Zacks-ranked industries outperforms the bottom 50% by a factor of more than 2 to 1.

Last EPS Surprise: The percentage deviation of a company's last reported earnings per share from the Zacks Consensus Estimate. Companies with a positive earnings surprise are more likely to surprise again in the future (or miss again if they recently missed).

Last Sales Surprise: The percentage deviation of a company's last reported sales from the Zacks Consensus Estimate.

Expected Report Date: This is an estimated date of a company's next earnings release. The information originated or gathered by Zacks Investment Research from its information providers or publicly available sources is the basis of this estimate.

Earnings ESP: The Zacks Earnings ESP compares the Most Accurate Estimate to the Zacks Consensus Estimate for the yet-to-be reported quarter. The Most Accurate Estimate is the most recent version of the Zacks Consensus EPS Estimate. The idea here is that analysts revising their estimates closer to an earnings release have the latest information, which could potentially be more accurate than what they and others contributing to the consensus had predicted earlier. Thus, a positive or negative Earnings ESP reading theoretically indicates the likely deviation of the actual earnings from the consensus estimate. However, the model's predictive power is significant for positive ESP readings only. A positive Earnings ESP is a strong predictor of an earnings beat, particularly when combined with a Zacks Rank #1 (Strong Buy), #2 (Buy) or #3 (Hold). Our research shows that stocks with this combination produce a positive surprise nearly 70% of the time.

Periods:

TTM: Trailing 12 months. Using TTM figures is an effective way of analyzing the most-recent financial data in an annualized format that helps neutralize the effects of seasonality and other quarter-to-quarter variation.

F1: Current fiscal year. This period is used to analyze the estimates for the ongoing full fiscal year.

F2: Next fiscal year. This period is used to analyze the estimates for the next full fiscal year.

F12M: Forward 12 months. Using F12M figures is an effective way of analyzing the near-term (the following four unreported quarters) estimates in an annualized manner. Instead of typically representing estimates for the full fiscal year, which may not represent the nitty-gritty of each quarter, F12M figures suggest an all-inclusive annualized estimate for the following four quarters. The annualization helps neutralize the potential effects of seasonality and other quarter-to-quarter variations.

P/E Ratio: The price-to-earnings ratio measures a company's current market price per share relative to its earnings per share (EPS). Usually, the trailing-12-month (TTM) EPS, current-fiscal-year (F1) EPS estimate, or forward-12-month (F12M) EPS estimate is used as the denominator. In essence, this ratio shows what the market is willing to pay today for each dollar of EPS. In other words, this ratio gives a sense of what the relative value of the company is at the already reported level of earnings or at a future level of earnings.

It is one of the most widely-used multiples for determining the value of a company and helps comparing its valuation with that of a competitor, the industry group or a benchmark.

PEG Ratio: The price/earnings to growth ratio is a stock's P/E ratio using current fiscal year (F1) EPS estimate divided by its expected EPS growth rate over the coming 3 to 5 years. This ratio essentially determines a stock's value by factoring in the company's expected earnings growth and is thus believed to provide a more complete picture than just the P/E ratio, particularly for faster-growing companies.

P/S Ratio: The price-to-sales ratio is calculated as a company's current price per share divided by trailing 12 months (TTM) sales or revenues per share. This ratio shows what the market is willing to pay today for each dollar of TTM sales per share. The P/S ratio is at times the only valuation metric when the company has yet to become profitable.

Cash/Price Ratio: The cash-to-price ratio or Cash Yield is calculated as cash and marketable securities per share divided by the company's current share price. Like the earnings yield, which shows the anticipated yield (or return) on a stock from earnings for each dollar invested, the cash yield does the same, with cash being the source of return instead of earnings. For example, a cash/price ratio of 0.08 suggests a return of 8% or 8 cents for every \$1 investment.

EV/EBITDA Ratio: The EV/EBITDA ratio, also known as Enterprise Multiple, is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by EBITDA (earnings before interest, taxes, depreciation and amortization). Usually, trailing-12-month (TTM) or forward-12-month (F12M) EBITDA is used as the denominator.

EV/Sales Ratio: The enterprise value-to-sales ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by annual sales. It is an expansion of the P/S valuation, which uses market value instead of enterprise value. The EV/Sales ratio is perceived as more accurate than P/S, in part, because the market capitalization does not take a company's debt into account when valuing it.

EV/CF Ratio: The enterprise value-to-cash flow ratio is calculated as a company's enterprise value (market capitalization + value of total long-term debt + book value of preferred shares - cash and marketable securities) divided by the trailing-12-month (TTM) operating cash flow. It's a measure of how long it would take to buy the entire business if you were able to use all the company's operating cash flow.

The EV/CF ratio is perceived as more accurate than the P/CF ratio, in part, because the market price does not take a company's debt into account when valuing it.

EV/FCF Ratio: The enterprise value-to-free cash flow metric compares a company's enterprise value to its trailing-12-month (TTM) free cash flow (FCF). This metric is very similar to the EV/CF ratio, but is considered a more exact measure owing to the fact that it uses free cash flow, which subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding growth activities and payments to shareholders.

P/EBITDA Ratio: The P/EBITDA ratio is calculated as a company's per share market value divided by EBITDA (earnings before interest, taxes, depreciation, and amortization). This metric is very similar to the EV/EBITDA ratio, but is considered a little less exact measure as it uses market price, which does not take a company's debt into account. However, since EBITDA is often considered a proxy for cash income, the metric is used as a measure of what the market is willing to pay today for each dollar of the company's cash profitability in the trailing 12 months (TTM) or forward 12 months (F12M).

P/B Ratio: The price-to-book ratio is calculated as a company's current price per share divided by its book value (total assets – liabilities – preferred stocks) per share. In short, the book value is how much a company is worth. In other words, it reflects the total value of a company's assets that its common shareholders would receive if it were to be liquidated. So, the P/B ratio indicates whether you're paying higher or lower than what would remain if the company went bankrupt immediately. Investors typically use this metric to determine how a company's stock price stacks up to its intrinsic value.

P/TB Ratio: The price-to-tangible-book value ratio is calculated as a the per share market value of a company divided by the value of its tangible assets (total assets – liabilities – preferred stocks – intangible assets) per share. Tangible book value is the same thing as book value except it excludes the value of intangible assets to get a step closer to the baseline value of the company.

P/CF Ratio: The price-to-cash flow ratio measures a company's per share market price relative to its trailing-12-month (TTM) operating cash flow per share. This metric is used to determine whether a company is undervalued or overvalued relative to another stock, industry or sector. And like the P/E ratio, a lower number is typically considered better from the value perspective.

One of the reasons why P/CF ratio is often preferred over P/E ratio is the fact that operating cash flow adds back non-cash expenses such as depreciation and amortization to net income. This feature helps valuing stocks that have positive cash flow but are not profitable because of large noncash charges.

P/FCF Ratio: The price-to-free cash flow ratio is an extension of P/CF ratio, which uses trailing-12-month (TTM) free cash flow per share instead of operating cash flow per share. This metric is considered a more exact measure than P/CF ratio, as free cash flow subtracts capital expenditures (CAPEX) from a company's total operating cash flow, thereby reflecting the actual cash flow available for funding activities that generate additional revenues.

Earnings Yield: The earnings yield is calculated as current fiscal year (F1) EPS estimate divided by the company's current share price. The ratio, which is the inverse of the P/E ratio, measures the anticipated yield (or return) from earnings for each dollar invested in a stock today.

For example, earnings yield for a stock, which is trading at \$35 and expected to earn \$3 per share in the current fiscal year (F1), would be 0.0857 ($3/35 = 0.0857$) or 8.57%. In other words, for \$1 invested in the stock today, the yield from earnings is anticipated to be 8.57 cents.

Investors most commonly compare the earnings yield of a stock to that of a broad market index (such as the S&P 500) and prevailing interest rates, such as the current 10-year Treasury yield. Since bonds and stocks compete for investors' dollars, stock investors typically demand a higher yield for the extra risk they assume compared to investors of U.S. Treasury-backed securities that offer virtually risk-free returns. This additional return is referred to as the risk premium.

Debt/Equity Ratio: The debt-to-equity ratio is calculated as a company's total liabilities divided by its shareholder equity. This metric is used to gauge a company's financial leverage. In other words, it is a measure of the degree to which a company is financing its operations through debt versus its own funds. The higher the ratio, the higher the risk for shareholders.

However, this ratio is difficult to compare across industry groups where ideal amounts of debt vary. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-equity ratio should be compared with other companies in the same industry.

Cash Flow (\$/share): Cash flow per share is calculated as operating cash flow (after-tax earnings + depreciation + other non-cash charges) divided by common shares outstanding. It is used by many investors as a measure of a company's financial strength. Since cash flow per share takes into consideration a company's ability to generate cash by adding back non-cash expenses, it is regarded by some as a more accurate measure of a company's financial situation than earnings per share, which could be artificially deflated.

Current Ratio: The current ratio or liquidity ratio is a company's current assets divided by its current liabilities. It measures a company's ability to pay short-term obligations. A current ratio that is in line with the industry average or slightly higher is generally considered acceptable. A current ratio that is lower than the industry average would indicate a higher risk of distress or default. A higher number is usually better. However, a very high current ratio compared to the industry average could be an indication of inefficient use of assets by management.

Debt/Capital Ratio: Debt-to-capital ratio is a company's total debt (interest-bearing debt + both short- and long-term liabilities) divided its total capital (interest-bearing debt + shareholders' equity). It is a measure of a company's financial leverage. All else being equal, the higher the debt-to-capital ratio, the riskier the stock.

However, this ratio can vary widely from industry to industry, the ideal amount of required debt being different. Some businesses are more capital intensive than others and typically require higher debt to finance their operations. So, a company's debt-to-capital ratio should be compared with the same for its industry.

Net Margin: Net margin is calculated as net income divided by sales. It shows how much of each dollar in sales generated by a company translates into profit. For example, if a company's net margin is 15%, its net income is 15 cents for every \$1 of sales it makes.

A change in margin can reflect either a change in business conditions, or a company's cost controls, or both. If a company's expenses are growing faster than sales, its net margin will decline. However, different net margin rates are considered good for different industries, so it's better to compare net margin rates of companies in the same industry group.

Return on Equity: Return on equity (ROE) is calculated as trailing-12-month net income divided by trailing-12-month average shareholder equity (including reinvested earnings). This metric is considered a measure of how effectively management is using a company's assets to generate profits. For example, if a company's ROE is 10%, it creates 10 cents profits for every \$1 shareholder equity, which is basically the company's assets minus debt. A company's ROE deemed good or bad depends on what's normal for its peers or industry group.

Sales/Assets Ratio: The sales-to-assets ratio or asset utilization ratio or asset turnover ratio is calculated as a company's annual sales divided by average assets (average of assets at the beginning of the year and at the year's end). This metric helps investors understand how effectively a company is using its assets to generate sales. For example, a sales-to-assets ratio of 2.5 indicates that the company generated \$2.50 in sales for every \$1 of assets on its books.

The higher the sales-to-assets ratio, the better the company is performing. However, similar to many other ratios, the asset turnover ratio tends to be higher for companies in certain industries/sectors than in others. So, a company's sales-to-assets ratio should be compared with the same for its industry/sector.

Historical EPS Growth (3-5 Years): This is the average annual (trailing-12-month) EPS growth rate over the last 3-5 years. This metric helps investors see how a company's EPS has grown from a long-term perspective.

Note: There are many factors that can influence short-term numbers — a recession will reduce this number, while a recovery will inflate it. The longterm perspective helps smooth out short-term events.

Projected EPS Growth (F1/F0): This is the estimated EPS growth rate for the current financial year. It is calculated as the consensus estimate for the current fiscal year (F1) divided by the reported EPS for the last completed fiscal year (F0).

Current Cash Flow Growth: It measures the latest year-over-year change in operating cash flow. Cash flow growth tells an investor how quickly a company is generating inflows of cash from operations. A positive change in the cash flow is desired and shows that more 'cash' is coming in than going out.

Historical Cash Flow Growth (3-5 Years): This is the annualized change in cash flow over the last 3-5 years. The change in a longer period helps put the current reading into proper perspective. By looking at the rate, rather than the actual dollar value, the comparison across the industry and peers becomes easier.

Projected Sales Growth (F1/F0): This metric looks at the estimated sales growth for the current year. It is calculated as sales estimate for the current fiscal year (F1) divided by the reported sales for the last completed fiscal year (F0).

Like EPS growth, a higher rate is better for sales growth. A look at a company's projected sales growth instantly tells you what the outlook is for their products and services. However, different sales growth rates are considered good for different industries, so it's better to compare sales growth rates of companies in the same industry group.

EPS F1 Estimate 1-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past week. The change in a company's consensus EPS estimate (or earnings estimate revision) has proven to be strongly correlated with the near-term price movement of its shares. It is an integral part of the Zacks Rank.

If a stock's consensus EPS estimate is \$1.10 now versus \$1.00 a week ago, that will be reflected as a 10% upward revision. If, on the other hand, it went from \$1.00 to 90 cents, that would be a 10% downward revision.

EPS F1 Estimate 4-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past four weeks.

A stock's earnings estimate revision in a 1-week period is important. But it's more meaningful to look at the longer-term revision. And, of course, the 4-week change helps put the 1-week change into proper perspective.

EPS F1 Estimate 12-Week Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal year over the past 12 weeks.

This metric essentially shows how the consensus EPS estimate has changed over a period longer than 1 week or 4 weeks.

EPS Q1 Estimate Monthly Change: The percentage change in the Zacks Consensus EPS estimate for the current fiscal quarter over the past four weeks.

While the revision in consensus EPS estimate for the current fiscal year is strongly correlated with the near-term price movement of its shares, the estimate revision for the current fiscal quarter is an important metric as well, especially over the short term, and particularly as a stock approaches its earnings date. If a stock's Q1 EPS estimate decreases ahead of its earnings release, it's usually a negative sign, whereas an increase is a positive sign.